APPENDIX I.

[Vide answer to short notice question No. 6 asked by Sri A. Vedarathnam at the meeting of the Legislative Assembly held on 6th March 1961, page 315 supra.]

[Cost of living index—Fall in the cost of living in January 1961.]

The cost of living index for Madras City decreased by 18 points from 488 in December 1960 to 470 in January 1961. Expressed in percentage, it was a fall by 3.7 per cent. This fall in January was only a reversal of the rise in prices which had occurred in the period immediately preceding that month. The level that had been reached in December was a peak for all the time. The price of rice stood at a high level due to declining stocks and retardation in arrivals caused by heavy rains. At the same time, the price of firewood had reached an unprecedented level which was also the result of continuous rains. There was also an abnormal increase in the price of vegetables because of scarcity conditions created by incessant rains.

2. In the month of January, market conditions rapidly improved. With good harvests, large supplies of paddy became available and the price of rice receded. The fall in the price of rice and also of vegetables and firewood, which mainly accounted for the fall in the index, is shown below :—

Commodity.	Unit.	Price. December 1960.	January 1961.	Index number. December 1960.	January 1961.	Variation in percentage.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Rs.	Rs.			
Rice II Sort ..	Measure (Kgm.)	1·01 (0·6630)	3·92 (0·6039)	631·25	575·00	— 8·9
Vegetables ..	Viss (Kgm.)	0·76 (0·5238)	0·71 (0·4893)	475·00	443·75	— 6·6
Firewood ..	Quintal (100 kgm.)	9·66	9·11	785·20	740·50	— 5·7

3. The prices of other food articles like dhall, chillies, tamarind, coriander, mustard, ghee and jaggery also declined, although to a much smaller extent. A combination of all these decreases in prices resulted in a drop in the index in January 1961.

4. The fall occurred in the Madras Cost of Living Index in January, and in the mofussil urban centres of Coimbatore, Tiruchirappalli, Cuddalore, Madurai and Nagercoil, a month earlier.

5. The fall in Coimbatore and Tiruchirappalli, was almost of the same magnitude as in Madras in January, the fall being 18 points and 17 points respectively. The fall was 10 points for Cuddalore, 7 points for Madurai and one point for Nagercoil The decline in these index numbers was due mainly to a fall in the price of rice.

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6. These mofussil urban cost of living index numbers continued to fall in January also, the fall being 4 points for Coimbatore, 3 points for Tiruchirappalli, 5 points for Cuddalore, 3 points for Madurai and 6 points for Nagercoil.

7. The cost of living index is calculated as a weighted average of the index numbers of price relatives of 42 representative items entering into the family budget. The price relative is the ratio of the current price to the price in the base period, multiplied by 100. The weight is a factor assigned to each item according to its relative importance in the family budget.

8. In the case of commodities entering into the index, each price is based on 66 recordings in a month. In the case of vegetables, it is based on as many as 396 recordings. All possible precautions are taken to ensure that the prices recorded are representative and correct, maintaining continuity.

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